

**NORTH CENTRAL KANSAS SPECIAL EDUCATION
COOPERATIVE INTERLOCAL NO. 636**

Financial Statements with Independent Auditors' Report

For the Year Ended June 30, 2010

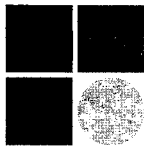
NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Financial Statements with Independent Auditors' Report
For the Year Ended June 30, 2010

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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

North Central Kansas Special Education Cooperative Interlocal No. 636

Phillipsburg, Kansas

We have audited the accompanying financial statements of **North Central Kansas Special Education Cooperative Interlocal No. 636**, as of and for the year ended June 30, 2010, as listed in the table of contents.

These financial statements are the responsibility of **North Central Kansas Special Education Cooperative Interlocal No. 636's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, **North Central Kansas Special Education Cooperative Interlocal No. 636**, has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **North Central Kansas Special Education Cooperative Interlocal No. 636**, as of June 30, 2010, or the changes in its financial position for the year then ended. Further, **North Central Kansas Special Education Cooperative Interlocal No. 636** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of **North Central Kansas Special Education Cooperative Interlocal No. 636**, as of June 30, 2010, and their respective cash receipts and disbursements and budgetary results for the year then ended, on the basis of accounting described in Note 1.

North Central Kansas Special Education Cooperative Interlocal No. 636

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010, on our consideration of **North Central Kansas Special Education Cooperative Interlocal No. 636's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **North Central Kansas Special Education Cooperative Interlocal No. 636's** financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



ADAMS, BROWN, BERAN AND BALL, CHTD.

Certified Public Accountants

October 18, 2010

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
 Summary of Cash Receipts, Expenditures, and Unencumbered Cash
 For the Year Ended June 30, 2010

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Categories							
Special Revenue Funds							
Coop Special Education Fund	\$ 2,184,110	13	6,896,467	7,074,859	2,005,731	442,142	2,447,873
Parents As Teachers Fund	-	-	71,539	71,539	-	4,876	4,876
Gifts and Grants Fund	-	-	4,800	4,800	-	-	-
Professional Development Fund	1,578	-	41,975	32,973	10,580	-	10,580
Total Reporting Entity	\$ 2,185,688	13	7,014,781	7,184,171	2,016,311	447,018	2,463,329
Composition of Cash							
			Checking Accounts			\$	984,254
			Certificates of Deposit				1,477,575
			Cash on Hand				1,500
			Total Reporting Entity			\$	2,463,329

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Summary of Expenditures - Actual and Budget
For the Year Ended June 30, 2010

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year Budget	Variance Over (Under)
Governmental Fund Categories					
Special Revenue Funds					
Coop Special Education Fund	\$ 8,026,222	-	8,026,222	7,074,859	(951,363)
Parents As Teachers Fund	71,539	-	71,539	71,539	-
Gifts and Grants Fund	4,800	-	4,800	4,800	-
Professional Development Fund	43,553	-	43,553	32,973	(10,580)

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Coop Special Education Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2010

(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Payments From Districts	\$ 5,815,854	5,052,177	5,299,480	(247,303)
Interest on Idle Funds	67,142	38,254	60,000	(21,746)
Other Revenue From Local Sources	90,695	13,963	33,000	(19,037)
State Aid				
Special Education Aid	45,102	150,350	127,575	22,775
Medicaid	167,130	276,409	170,000	106,409
Federal Aid				
Federal Grants	914,920	928,716	928,839	(123)
ARRA Funding	-	436,598	436,598	-
Total Cash Receipts	<u>7,100,843</u>	<u>6,896,467</u>	<u>7,055,492</u>	<u>(159,025)</u>
Expenditures				
Instruction	5,290,602	4,615,129	5,243,336	(628,207)
Student Support Services	1,091,515	1,798,969	1,964,008	(165,039)
Instructional Support Staff	51,064	-	53,974	(53,974)
Administration	323,738	340,736	409,412	(68,676)
Operations and Maintenance	41,390	28,149	35,000	(6,851)
Vehicle Operation Services	168,434	158,442	141,092	17,350
Other Supplemental Services	131,744	133,434	179,400	(45,966)
Total Expenditures	<u>7,098,487</u>	<u>7,074,859</u>	<u>8,026,222</u>	<u>(951,363)</u>
Cash Receipts Over (Under) Expenditures	2,356	(178,392)		
Unencumbered Cash - Beginning	2,181,754	2,184,110		
Prior Year Cancelled Encumbrances	-	13		
Unencumbered Cash - Ending	<u>\$ 2,184,110</u>	<u>2,005,731</u>		

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Parents As Teachers Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2010

(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Payments From Districts	\$ 27,866	28,182	28,182	-
State Aid				
Parent Education Program	42,871	43,357	43,357	-
Total Cash Receipts	70,737	71,539	71,539	-
Expenditures				
Student Support Services	53,135	54,956	70,311	(15,355)
Instructional Support Staff	16,524	15,505	150	15,355
Other Supplemental Services	1,078	1,078	1,078	-
Total Expenditures	70,737	71,539	71,539	-
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	-	-		
Unencumbered Cash - Ending	\$ -	-		

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Gifts and Grants Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2010

(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Dane G. Hansen Foundation	\$ 4,800	4,800	<u>4,800</u>	<u>-</u>
Expenditures				
Instruction	<u>4,800</u>	4,800	<u>4,800</u>	<u>-</u>
Cash Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash - Ending	\$ <u>-</u>	<u>-</u>		

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Professional Development Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended June 30, 2010

(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Local Sources				
Other Revenue From				
Local Sources	\$ 32,013	39,975	33,210	6,765
State Aid				
Professional Development Aid	4,887	2,000	3,690	(1,690)
Total Cash Receipts	<u>36,900</u>	<u>41,975</u>	<u>36,900</u>	<u>5,075</u>
Expenditures				
Instructional Support Staff	35,322	32,973	<u>43,553</u>	<u>(10,580)</u>
Cash Receipts Over (Under) Expenditures	1,578	9,002		
Unencumbered Cash - Beginning	-	<u>1,578</u>		
Unencumbered Cash - Ending	\$ <u>1,578</u>	<u>10,580</u>		

The notes to the financial statements are an integral part of this statement.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Notes to Financial Statements
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Central Kansas Special Education Cooperative Interlocal No. 636 (the Cooperative), has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

North Central Kansas Special Education Cooperative Interlocal No. 636 is a municipal corporation governed by an elected board. The Board is composed of one member from the Board of Education of each school district that is a member of the Cooperative. The Cooperative receives funding from local, state and federal government sources and must comply with the requirements of these funding sources.

The financial statements of the Cooperative consist of all the funds of the Cooperative and governmental entities that are considered to be controlled or dependent upon the Cooperative. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Cooperative has no such entities under its control.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of Presentation – Fund Accounting

The accounts of the Cooperative are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the Cooperative for the year ended June 30, 2010.

Governmental Fund Categories

Special Revenue Funds - to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payables and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Cooperative has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Cooperative to use the statutory basis of accounting.

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Cooperative are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for special revenue funds (unless specifically exempted by statute). Although directory, rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper on or before August 5th, of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such amendments this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Cooperative for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budget expenditure authority lapses at year-end.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Deposits and Investments

North Central Kansas Special Education Cooperative Interlocal No. 636 follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Cooperative has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Cooperative's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Cooperative has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Cooperative may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Cooperative did not use peak depository coverage. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the Cooperative's carrying amount of deposits was \$2,463,329 and the bank balance was \$1,752,071. The bank balance was held by four banks resulting in a concentration of credit risk. Of the bank balance, \$698,706 was covered by federal depository insurance and \$1,053,365 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Cooperative had no investments at June 30, 2010.

Compensated Absences

The Cooperative has formal sick leave and annual leave policies for employees, which vary based on the employee's position.

The director and assistant director each receive 70 days for non-cumulative sick leave each year and 20 days for annual leave. The clerk and treasurer receive 10 sick days that may accumulate to 60 days. They also receive 15 days of annual leave.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Notes to Financial Statements
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certified and licensed employees, other than the director and assistant director, receive 10 days of sick leave per year that may accumulate to 75 days. At the completion of each school year, each employee will be paid \$30 per day for each day in excess of 75. Certified and licensed employees will also receive 3 non-cumulative personal days.

Paraeducators and other non-certified staff, who work a minimum of 30 hours a week during the school year, will receive 8 days of sick leave per year that may accumulate to 300 hours. These employees will also be granted 1 personal day a year. If employed full time and has more than 10 years consecutive experience, the employee will receive one additional day of personal leave.

All employees of the Cooperative shall be granted four days of non-cumulative bereavement leave each year. Upon termination of employment, employees are not paid for accumulated sick leave of less than 75 days. All sick leave days above 75 are paid out at the end of each year at a rate of \$30 per day. The annual leave and personal leave for all employees are non-cumulative, therefore, the cost of accumulated leave payable at June 30, 2010 was \$0.

Defined Benefit Pension Plan

Plan Description

North Central Kansas Special Education Cooperative Interlocal No. 636 contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% and 6% (if hired on or after July 1, 2009) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. The State contributed 8.57% of covered payroll for the fiscal year ended June 30, 2010. These contributions requirements are established by KPERS and are periodically revised. The State of Kansas' contributions to KPERS for all public school employees for the years ending June 30, 2010, 2009, and 2008, were \$248,468,186, \$242,277,363, and \$220,815,154, respectively, equal to the required contributions for each year.

Deferred Compensation Plan – Retirement Benefit

For a two year window that ended June 30, 2006, the Cooperative offered an early retirement package to certified staff members with at least 10 consecutive years of service with the Cooperative and who have met the KPERS retirement criteria. The early retirees are eligible to receive a percentage of their ending salary for five years. A deferred compensation plan under Internal Revenue Code 403(b) is available for these employees. The amount of the benefit deferred to American Fidelity for the year ended June 30, 2010 was \$6,123.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Cooperative allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Cooperative is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been qualified in these financial statements.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Notes to Financial Statements
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Cooperative makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The Premium is paid in full by the insured. There is no cost to the Cooperative under this program.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as expenditures approved in federal and state grant contracts.

Reimbursements

The Cooperative records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund.

NOTE 2 - LITIGATION

North Central Kansas Special Education Cooperative Interlocal No. 636 is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the funds of the Cooperative.

NOTE 3 - RISK MANAGEMENT CLAIMS AND JUDGMENTS

North Central Kansas Special Education Cooperative Interlocal No. 636 carries commercial insurance for risks of loss, including property, general liability, crime, inland marine, automobile, linebacker, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 4 - GRANTS AND SHARED REVENUES

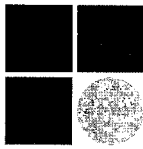
The **North Central Kansas Special Education Cooperative Interlocal No. 636** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Cooperative has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Cooperative, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

NOTE 5 - COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **North Central Kansas Special Education Cooperative Interlocal No. 636's** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make certain statements unduly complex and difficult to read.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Supplementary Information



Certified
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors

North Central Kansas Special Education Cooperative Interlocal No. 636
Phillipsburg, Kansas

We have audited the financial statements of **North Central Kansas Special Education Cooperative Interlocal No. 636** as of and for the year ended June 30, 2010, which collectively comprise **North Central Kansas Special Education Cooperative Interlocal No. 636's** basic financial statements and have issued our report thereon dated October 18, 2010. The report on the audited financial statements was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with the *Kansas Municipal Audit Guide*, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **North Central Kansas Special Education Cooperative Interlocal No. 636's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **North Central Kansas Special Education Cooperative Interlocal No. 636's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **North Central Kansas Special Education Cooperative Interlocal No. 636's** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, see 10-A on Page 19.

North Central Kansas Special Education Cooperative Interlocal No. 636
Page Two

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency, see 10-B on page 19.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **North Central Kansas Special Education Cooperative Interlocal No. 636's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **North Central Kansas Special Education Cooperative Interlocal No. 636** in a separate letter dated October 18, 2010.

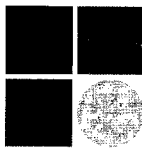
North Central Kansas Special Education Cooperative Interlocal No. 636's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit **North Central Kansas Special Education Cooperative Interlocal No. 636's** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within **North Central Kansas Special Education Cooperative Interlocal No. 636**, federal awarding agencies and pass-through entities, and for filing with the Kansas Department of Administration, Division of accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran, & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

October 18, 2010



Certified
Public
Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors

North Central Kansas Special Education Cooperative Interlocal No. 636

Phillipsburg, Kansas

Compliance

We have audited **North Central Kansas Special Education Cooperative Interlocal No. 636's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **North Central Kansas Special Education Cooperative Interlocal No. 636's** major federal programs for the year ended June 30, 2010. **North Central Kansas Special Education Cooperative Interlocal No. 636's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of **North Central Kansas Special Education Cooperative Interlocal No. 636's** management. Our responsibility is to express an opinion on **North Central Kansas Special Education Cooperative Interlocal No. 636's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **North Central Kansas Special Education Cooperative Interlocal No. 636's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **North Central Kansas Special Education Cooperative Interlocal No. 636's** compliance with those requirements.

In our opinion, **North Central Kansas Special Education Cooperative Interlocal No. 636** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of **North Central Kansas Special Education Cooperative Interlocal No. 636** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **North Central Kansas Special Education Cooperative Interlocal No. 636's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **North Central Kansas Special Education Cooperative Interlocal No. 636's** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within **North Central Kansas Special Education Cooperative Interlocal No. 636**, federal awarding agencies and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and is not intended to be and should not be used by anyone other than these specified parties.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

October 18, 2010

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:

Unqualified

Internal control over financial reporting

- Material weakness identified? X Yes No
- Significant deficiencies identified? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiencies identified? Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of OMB Circular A-133?

 Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program
84.027	EHC Flo-Thru
84.173	Early Childhood Aid
84.391	ARRA Part B Sepcial Education
84.392	ARRA Part B Sepcial Education

Dollar threshold used to distinguish between Type A and
Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 Yes X No

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

10-A

Criteria

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause

The Organization is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the Organization implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The Organization is aware that employees have incompatible duties; however, due to the size of the Organization, it would not be feasible to hire additional personnel.

B. Significant Deficiency in Internal Control

10-B

Criteria

Client personnel responsible for the accounting and reporting function should have the necessary skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or when preparing financial statements.

Condition

Client personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles.

Effect

Financial transactions and financial statements may not properly reflect financial information in accordance with generally accepted accounting principles.

Cause

The Organization is unable to obtain the training necessary to obtain these skills due to its size and financial resources.

Recommendation

Continual training of accounting personnel should be implemented to ensure financial transactions and financial statements are being presented as accurately as possible.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Views of responsible officials and planned corrective actions

The Organization is aware that personnel responsible for the accounting and reporting function do not have the necessary skills and knowledge to apply generally accepted accounting principles. However, due to the size and financial resources of the Organization, it would not be feasible to obtain the necessary training.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under OMB Circular A-133.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2010

A. Material Weakness in Internal Control

09-A

Criteria

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Effect

Management may not become aware of the problems or irregularities within a timely manner.

Cause

The Organization is unable to hire additional personnel due to its size.

Recommendation

Procedures should be established and implemented where the Organization implements segregation of duties in the receipts and expenditures cycles and implements additional internal control.

Views of responsible officials and planned corrective actions

The Organization is aware that employees have incompatible duties; however, due to the size of the Organization, it would not be feasible to hire additional personnel.

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
Passed Through Kansas State Department of Education			
IDEA Cluster			
EHC Flo-Thru	84.027	703-5010	\$ 877,794
Early Childhood Aid	84.173	703-5010	50,922
ARRA Part B Speical Education	84.391	703-5010	418,952
ARRA Part B Speical Education	84.392	703-5010	<u>17,646</u>
Total IDEA Cluster			<u>1,365,314</u>
Total Expenditures of Federal Awards			\$ <u><u>1,365,314</u></u>

See Accountants' Report

NORTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE INTERLOCAL NO. 636
Notes to Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **North Central Kansas Special Education Cooperative Interlocal No. 636** and is presented on the basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.